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BACKGROUND--USSR-CANADIAN TRADE AGREEMENT

- I. Soviet-Canadian trade agreement (signed 29 Feb in Ottawa) calls for USSR to purchase some \$45 million worth of Canadian wheat (400,000 tons a year for the next three years).
 - A. Under agreement Canada, in turn, will give "most-favoured-nation" tariff treatment to Soviet imports, but does not guarantee to import any fixed value of Soviet goods.
 - B. Moscow, however, has offered the bait of possible additional wheat purchases if Canada should accept substantial imports from the USSR.
- II. Canadians will find agreement helpful in disposing of some of their 30 million ton wheat surplus.

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A. Previous Canadian trade with the Soviet Union has been small.
(Example: exports to USSR in '54 were valued at \$4 million).

B. Canadians made almost no concessions during 5-month-long negotiations, and successfully refused to accept additional Russian commercial representatives and consular officials.

III. Soviet purchase (which amounts to 1% of their own annual production) may reflect bad crop in Moscow's "New Lands" area last year.

A. As contrast, USSR during past three years has exported 2% of its own wheat harvest to the Free World.